GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:855
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VALUE OF INDIAN RUPEE IN INTERNATIONAL MARKET
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Will the Minister of FINANCE be pleased to state:

(a) the criteria laid down for evaluation of Indian Rupee in international market;

(b) the exchange rate of Indian Rupee as compared to other major currencies of the World country-wise as on date;

(c) the purchasing power of Indian Rupees as on 18.02.2005 taking 1971 as base year; and

(d) the steps being taken by the Government to check the fall of Indian Rupee in comparison to foreign currencies?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL)

(a): The exchange rate of the Indian rupee against the US dollar in the domestic foreign exchange market is determined by the forces of demand and supply. To arrive at the rupee`s exchange rate vis-â€¦-vis other major global currencies (i.e. Euro, Pound and the Japanese Yen), the rupee-dollar rates are crossed with the exchange rates of these currencies against US dollar in the international markets.

(b): The exchange rate of the Indian rupee vis-â€¦-vis major global currencies are shown below:

Exchange Rates	31st March 2004	31st March 2005	31st Jan- 2006	20th Feb- 2006
US Dollar	43.45	43.76	44.07	44.43
Pound Sterling	79.68	82.11	77.97	77.50
Euro	53.17	56.59	53.31	53.17
Japanese Yen#	41.67	40.81	37.50	37.58

Rupees per 100 Yens.

(c) Purchasing power of any currency is usually determined by real exchange rates. The Real Effective Exchange Rate (REER) of the rupee is the best measure of its purchasing power. The RBI calculates monthly trade-based 36-currency and 6-currency indices of REER with 1993-94 as the base year. The year 1993-94 has been chosen as the base year for reflecting the significant changes in macroeconomic environment that occurred after introduction of economic reforms in the early 1990s. There is, therefore, no information available regarding purchasing power of the rupee as on February 18, 2005, with 1971 as the base year. However, the 36-currency and 6-currency trade based REER indices (base 1993-94 = 100) for the month of February 2005 are 100.95 and 103.92 respectively.

(d) The exchange rate of the Indian rupee is broadly market-determined. Since end-March 2005, the rupee has depreciated against the US Dollar, while appreciating against the Euro, Pound Sterling and the Japanese Yen. Such movements underline the two-way flexibility demonstrated by the rupee in response to changes taking place between exchange rates of major world currencies.